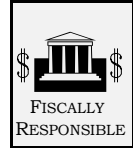


Democratic Tax Cut Principles

The Tax Cut should be fiscally responsible.

- ▶ A budget should be in place before tax cuts or new spending.
- ▶ Social Security and Medicare surpluses must be off-limits.
- ▶ The budget should leave room for vital investments in areas such as prescription coverage, public education, and defense.
- ▶ The budget should continue to pay down the debt.
- ▶ The speculative nature of surplus projections should be acknowledged.



The Tax Cut should be fair.

- ▶ It should be truly “across the board” and benefit all families.
- ▶ It should not short-change millions of working poor families with no income tax liability who pay payroll and other federal taxes.
- ▶ The wealthy should not get a disproportionate amount of the tax cuts compared to middle income earners.
- ▶ It should be fair to families, farmers, and small business owners by addressing the marriage penalty and the estate tax.
- ▶ It should be fair to home mortgage and college loan holders by maintaining fiscal discipline to keep interest rates low.



The Tax Cut should be honest.

- ▶ It should deliver what it promises.
- ▶ Its supporters should not make misleading claims such as President Bush’s claim that the “typical family” gets \$1600 from his tax cut when, in fact, the vast majority (85%) get much less.
- ▶ Complex tax rules like the AMT should not be permitted to prevent families from getting tax relief which the bill promises.
- ▶ The true cost of the tax cut should not be obscured by failing to acknowledge debt service costs and extensions of expiring tax breaks.
- ▶ It should not be phased in over such a long time period that costs explode in the “out years” beyond the official revenue estimates.



The Tax Cut should encourage continued economic prosperity.

- ▶ It should put money directly into the pockets of real families – low to middle income Americans who need the money.
- ▶ It should not assume some economic stimulus will mystically occur now because of big tax cuts which take effect in 5-10 years.
- ▶ It should promote lower interest rates by leaving room to pay down debt.
- ▶ It should not jeopardize our economic prosperity by risking the return of deficits or a raid on Social Security or Medicare.
- ▶ It should avoid the supply-side “voodoo” economics of the Reagan years – which assumed big tax cuts would lead to unrealistic levels of economic growth – but instead led to years of record deficits.

